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DE RUEHGO #0401/01 1420227

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FM AMEMBASSY RANGOON

TO RUEHC/SECSTATE WASHDC 7638

RUCNASE/ASEAN MEMBER COLLECTIVE

RUEHGG/UN SECURITY COUNCIL COLLECTIVE

RUEHBJ/AMEMBASSY BEIJING 1885

RUEHBY/AMEMBASSY CANBERRA 1215

RUEHKA/AMEMBASSY DHAKA 4890

RUEHNE/AMEMBASSY NEW DELHI 4759

RUEHUL/AMEMBASSY SEOUL 8303

RUEHKO/AMEMBASSY TOKYO 5865

RUEHCN/AMCONSUL CHENGDU 1484

RUEHCHI/AMCONSUL CHIANG MAI 1613

RUEHCI/AMCONSUL KOLKATA 0342

RUEATRS/DEPT OF TREASURY WASHDC

RHHMUNA/CDR USPACOM HONOLULU HI

RUEHGV/USMISSION GENEVA 3737

RHEHNSC/NSC WASHDC

RUCNDT/USMISSION USUN NEW YORK 1648

RUEKJCS/SECDEF WASHDC

RUEHBS/USEU BRUSSELS

RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 02 RANGOON 000401

SENSITIVE

SIPDIS

STATE FOR EAP/MLS, EEB/TPP/ABT/ATP - JANET SPECK

BANGKOK FOR USDA/FAS, ECON OFFICE, USAID

DEPT PLEASE PASS TO USAID - CHERYL JENNINGS

PACOM FOR FPA

TREASURY FOR OASIA:SCHUN

E.O. 12958:N/A

TAGS: [EAGR](#) [EAID](#) [ETRD](#) [ECON](#) [PGOV](#) [PREL](#) [BM](#)

SUBJECT: BURMA: FOOD PRICES DROPPING, FUEL COSTS BACK TO NORMAL

Ref: A) Rangoon 398 B) Rangoon 368 C) Rangoon 390

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11. (SBU) Summary. Two weeks after Cyclone Nargis devastated Burma, food prices have begun to drop, although most prices remain higher than pre-cyclone levels. While certain food items - rice, cooking oil, and chicken - remain scarce, prices of these items have dropped slightly in the past few days. Prices of other key commodities, including pork, potatoes, onions, salt, and bottled water, have dropped substantially now that more of these products are available in local markets. Fuel prices have returned to pre-cyclone levels; petrol now costs 4,500 kyat a gallon and diesel costs 5,500 kyat a gallon. Decreased demand and increased supply of fuel account for the decrease in price. End Summary.

Same Demand, Greater Supply

12. (SBU) During trips to various markets around Rangoon during the past few days, we observed vendors selling a wide variety of food, much of which was imported from Northern Burma. Vendors told us they received increased supplies of many food products, including onions, potatoes, and pork, in the past few days due to improved supply lines. As a result, prices of these products have decreased, although they remain higher than pre-cyclone levels (Ref B). On May 18, onions sold for 500 kyat (\$0.45) per viss (3.6 lbs), a 37.5 percent decrease from May 12 prices of 800 kyat (\$0.72) per viss. Salt prices also decreased by 42 percent, down from 2800 kyat (\$2.54) a viss to 1600 kyat (\$1.45) a viss on May 18. Supplies of pork were also readily available, reducing the price per viss from 8,000 kyat (\$7.27) to 6,500 kyat (\$5.90).

13. (SBU) Rice prices are still high due to limited supply. However, we observed a slight reduction in both the price of ehmata

rice (25 percent broken rice) and inferior rice since May 12. On May 18, one bag of ehmata rice (69 lbs) sold for 43,200 kyat (\$39), an 8 percent price reduction. Inferior rice sold for 21,600 kyat (\$19.50) a bag, down from 24,000 kyat (\$21.81) last week. Prices of chicken, beef, fish, and cooking oil remained the same.

Selected Commodity Prices, Rangoon
As of May 19, 2008
In Kyat

Good	Pre-Storm Price	Post-Storm Price	Percent Increase
Ehmata Rice	24000/bag	43200/bag	80.0
Inferior Rice	15000/bag	21600/bag	44.0
Peanut Oil	4500/viss	5000/viss	11.0
Soybean Oil	4500/viss	6500/viss	45.0
Palm Oil	3200/viss	3600/viss	12.5
Pork	6000/viss	6500/viss	8.3
Chicken	6000/viss	7000/viss	17.0
Fish	4000/viss	6000/viss	50.0
Salt	1500/viss	1600/viss	6.7
Onions	300/viss	500/viss	66.7
Potatoes	400/viss	1000/viss	150.0
Purified Water	300/liter	300/liter	--

*1 viss=3.6 lbs or 1 viss=2 liters

¶4. (SBU) During the past week, supermarkets, such as City Mart and Asia Light, have begun to restock their shelves with new products. City Mart Managing Director Win Win Tint told us that many companies

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have slowly received the shipments that were delayed by the storm. Not all the products were the same, she stated, but supermarkets now could import goods such as cooking oil, noodles, butter, and cheese. Win Win Tint admitted that prices in City Mart were higher, around 10-20 percent depending on the product, due to higher shipping and transport costs. As things return to normal, she said, prices should return to pre-cyclone levels.

Fuel Prices Return to "Normal"

¶5. (SBU) During the past few days, the black market price of fuel has dropped, returning to pre-cyclone levels. On May 18, the price of gas per gallon was 4,500 kyat (\$4), down from 5,000 kyat per gallon on May 12. Similarly, diesel prices per gallon dropped by 8 percent, from 6,000 kyat (\$5.45) per gallon on May 12 to 5,500 kyat (\$5) per gallon on May 18. We also observed fewer cars queuing at gas stations around town, with the average wait time decreasing to approximately half an hour or less. Gas stations still restrict car owners to no more than six gallons of gas at one time, and only 14 gallons per week.

¶6. (SBU) According to economic contacts, fuel prices have returned to "normal" because of a significant drop in demand. As the GOB restores electricity to more townships in Rangoon, fewer homes and businesses have to rely on diesel generators for electricity (Ref C), increasing the available supply of diesel on the market. Additionally, private businesses continue to bring in an average of three diesel shipments of 10,000 gallons each per week and at least one petrol shipment, both of which are sold on the local markets.

Comment

¶7. (SBU) A steady, albeit limited, supply of food entering Rangoon's markets, has allowed prices to fall. Several of Burma's ports have resumed limited operations, enabling approximately ten ships a day to deliver imported goods. As the situation in Rangoon improves, additional ways to transport food into the city will develop, reducing market pressure and increasing the supply of

available commodities. Fuel prices have already returned to pre-cyclone levels; it is only a matter of time before food prices do the same.

VILLAROSA